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MINISTRY OF LABOUR & EMPLOYMENT

RESOLUTION

New Delhi, the 2nd September 1964

No. WB-20(3)/64.—By their Resolution No. WB-20(9)/61, dated the 6th December, 1961, the Government of India appointed a Commission with the following composition and terms of reference, to study the question of bonus to workers in industrial employments and to make suitable recommendations:—

I. COMPOSITION

Chairman

Shri M. R. Meher

Independent Members

- (i) **Shri M. Govinda Reddy, M.P.**
- (ii) **Dr. B. N. Ganguli, Director, Delhi School of Economics.**

Members representing Workers

- (i) **Shri S. R. Vasavada.**
- (ii) **Shri S. A. Dange.**

Members representing Employers

- (i) **Shri N. Dandekar.**
- (ii) **Shri D. Sandilya.**

Consequent on the resignation of Shri D. Sandilya, Shri K. B. Mathur, was pointed as member of the Commission on the 4th January, 1963.

II. TERMS OF REFERENCE

- (1) To define the concept of bonus and to consider in relation to industrial employments, the question of payment of bonus based on profits and

recommend principles for computation of such bonus and methods of payment.

NOTE.—The term “industrial employments” will include employment in the private sector and in establishments in the public sector not departmentally run and which compete with establishments in the private sector.

- (ii) To determine the extent to which quantum of bonus should be influenced by the prevailing level of remuneration.
- (iii) (a) To determine what the prior charges should be in different circumstances and how they should be calculated.
- (b) To determine conditions under which bonus payments should be made unit wise, industry wise and industry-cum-region wise.
- (iv) To consider whether the bonus due to workers, beyond a specified amount, should be paid in the form of National Saving Certificates or in any other form.
- (v) To consider whether there should be lower limits irrespective of losses in particular establishments, and upper limits for distribution in one year and, if so, the manner of carrying forward profits and losses over a prescribed period.
- (vi) To suggest an appropriate machinery and method for the settlement of bonus disputes.
- (vii) To make such other recommendations regarding matters concerning Bonus that might be placed before the Commission on an agreed basis by the employers’ (including the public sector) and the workers’ representatives.

2. The Commission’s report was received by Government on the 24th January, 1964. Copies have been placed on sale to public through the Manager of Publications, Delhi in the usual manner.

3. Government have carefully considered the recommendations made in the Commission’s report and the minute of dissent appended thereto by one of the two members representing the employers on the Commission. Government have decided to accept the Commission’s recommendations subject to the following:—

- (i) All direct taxes for the time being in force should be deducted as prior charges in the calculation of “available surplus” for purposes of bonus.
- (ii) In addition, tax concessions given to industry to provide resources for future development should not be utilised for payment of larger bonuses to employees; on the other hand, it should be ensured by law if the existing tax law and regulations do not sufficiently safeguard this, that amounts involved in such tax concessions are in fact used only for the purposes for which the tax concessions are given. Further, subsidies paid by Government to certain concerns like the Hindustan Shipyard should not be taken into account in working out the gross profits for the purpose of payment of bonus.
- (iii) As regards return on capital that would be deductible as prior charge before calculating “available surplus” for purposes of bonus, the actual rate payable on preferential share capital, 8.5 per cent (taxable) on paid up equity capital and 6% (taxable) on reserves should be allowed in respect of establishments other than banks; in the case of banks, corresponding rates to be allowed should be the actual rate payable on preferential share capital, 7.5% (taxable) on paid-up equity capital, and 5% taxable on reserves.
- (iv) As regards the retrospective effect of the recommendations of the Bonus Commission as amended by the foregoing decisions, they should apply to all bonus matters, other than those cases in which settlements have been reached or decisions have been given already, relating to the accounting year ending on any day in the calendar year 1962, in respect of which dispute is pending.

4. Government consider it desirable that bonus beyond a certain level should be paid in the form of saving certificates or other suitable investments. It is accordingly proposed to convene a meeting with the representatives of the parties

concerned so as to reach agreement on the level beyond which bonus payment in cash would not be desirable and the various forms of savings in which bonus beyond that level might be invested.

5. In the light of above decisions Government propose to undertake legislation to embody the principles by which Tribunals or other judicial bodies should be guided if and when disputes relating to bonus come up before them. Government, however, expect that the parties would voluntarily give effect to the above decisions, in settling the question of bonus till the proposed legislation is enacted.

6. The Government of India wish to express their appreciation of the work done by the Commission.

P. M. MENON, Secy.

